



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

Carnahan Courthouse Building  
1114 Market St., Room 608  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

December 5, 2006

Jill Claybour, Acting Executive Director  
Community Development Administration (CDA)  
1015 Locust Street, Suite 1200  
St. Louis, MO 63101-1323

RE: Fiscal Monitoring Review of Human Development Corporation/ Harambee  
(Project #2006-CDA36)

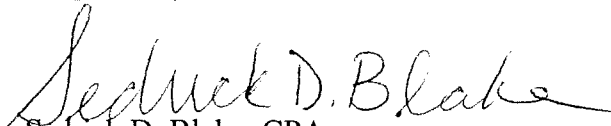
Dear Ms. Claybour:

For the period reviewed, Human Development Corporation/ Harambee (Agency) did not comply with the requirements of the contract that all requests for payment of salaries must be in accordance with approved work program personnel schedule. The Agency's non-compliance has resulted in an overpayment to the Agency of \$1,064.47 (see Observation #3 of the enclosed fiscal monitoring report).

We are recommending the Agency repay the overpayment of \$1,064.47 to CDA by January 5, 2007. We are also recommending that if the Agency does not repay the overpayment by January 5, 2007, this amount be taken from the Agency's next request for reimbursement.

If you have any questions, please call Charles Schroeder at (314) 589-6089.

Respectfully,

  
Sedrick D. Blake, CPA  
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Accounting Coordinator, CDA  
Michael McAtee, Accounting Manager II, Federal Grants Section  
Judith Holstein, Accounting Supervisor, Federal Grants Section  
Thomas J. Bozzo, Deputy Comptroller



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December 5, 2006

Willard Reeves, Special Project Director  
Human Development Corp/Harambee  
929 Spring Ave.  
St. Louis, MO 63108

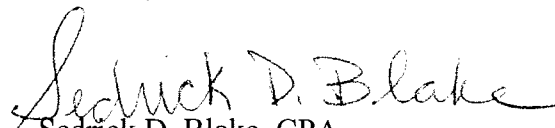
RE: Fiscal Monitoring Report of Human Development Corp/Harambee  
(Project #2006-CDA36)

Dear Mr. Reeves:

Enclosed is a report of our fiscal monitoring review of Human Development Corp/Harambee (Contracts #03-11-89, #04-11-89 & #05-11-89) for the period January 1, 2003 through December 31, 2005. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Human Development Corp/Harambee. Our fieldwork was completed on June 23, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub recipients. If you have any questions, please contact Charles Schroeder at (314) 613-7257.

Sincerely,

  
Sedrick D. Blake, CPA  
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, Community Development Administration  
Lorna Alexander, Fiscal Coordinator, Community Development Administration





# CITY OF ST. LOUIS

***COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)***

***HUMAN DEVELOPMENT CORP.  
HARAMBEE***

***CONTRACTS #03-11-89, #04-11-89 AND #05-11-89***

***FISCAL MONITORING REVIEW***

***JANUARY 1, 2003 THROUGH DECEMBER 31, 2005***

***PROJECT #2006-CDA36***

***DATE ISSUED: DECEMBER 5, 2006***

***Prepared by:  
The Internal Audit Section***



**OFFICE OF THE COMPTROLLER**  
***HONORABLE DARLENE GREEN, COMPTROLLER***

**CITY OF ST. LOUIS**  
**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
**HUMAN DEVELOPMENT CORP/HARAMBEE**  
**CONTRACTS: #03-11-89, #04-11-89 & #05-11-89**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2003 THROUGH DECEMBER 31, 2005**

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**CITY OF ST. LOUIS  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
HUMAN DEVELOPMENT CORP/HARAMBEE  
CONTRACTS: #03-11-89, #04-11-89 & #05-11-89  
FISCAL MONITORING REVIEW  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2005**

**INTRODUCTION**

**Background**

**Contract Name:** Human Development Corp/Harambee

**Contract Numbers:** 03-11-89  
04-11-89  
05-11-89

**Contract Periods:** January 1, 2003 through December 31, 2003  
January 1, 2004 through December 31, 2004  
January 1, 2005 through December 31, 2005

**Contract Amounts:** \$60,000 (03-11-89)  
\$60,000 (04-11-89)  
\$60,000 (05-11-89)

Contracts 03-11-89, 04-11-89 & 05-11-89 (Documents 44814, 48047 & 50233) provided Community Development Block Grant (CDBG) funds to Human Development Corp/Harambee to provide supplemental education assistance, tutoring, encouraging academic achievement and enhance each child's potential. The Agency also provides recreational activities by providing meaningful and positive activities such as basketball, softball, swimming, volleyball, kickball, flag football and other cultural activities.

**Purpose**

The purpose of our review was to determine Human Development Corp/Harambee's compliance with federal, state and local CDBG requirements for the periods January 1, 2003 through December 31, 2005 and make recommendations for improvements where required.

**Scope and Methodology**

We made inquiries regarding Human Development Corp/Harambee's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was substantially complete on June 23, 2006.

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**CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS**

**Conclusion**

Human Development Corp/Harambee did not fully comply with federal, state and local CDBG requirements.

**Status of Prior Observations**

The Agency's previous Fiscal Monitoring Report dated December 15, 2003 noted three observations.

1. Conflict of interest. **(Repeated – see current observation #1)**
2. Going concern issue. **(Repeated– see current observation #2)**
3. A violation of the Fair Labor Standards Act (FLSA) existed. **(Resolved)**

**A-133 Status**

The Agency's A-133 audit report for the fiscal year ended September 30, 2003 rendered an unqualified opinion on the financial statements, although reportable conditions were noted, none involved CDA's contract with the Agency.

**Summary of Current Observations**

We made recommendations for the following observations, which if implemented, could assist the Human Development Corporation in fully complying with federal, state and local CDBG requirements.

1. There appears to be conflict of interest (Repeated).
2. There appears to be a potential going concern issue (Repeated).
3. Payment of salaries may not be in accordance with the approved personnel schedule.
4. The Agency did not use two duly authorized signatures for checks.
5. The Agency filed late submissions of monthly financial reports.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND**  
**MANAGEMENT'S RESPONSES**

**1. There Appears to be Conflict of Interest (Repeated)**

CDA regulations prohibit any person who is an employee, agency, consultant, officer or elected official or appointed official of the recipient (City of St. Louis), or of any designated public agencies, or sub-recipients, from being a member of or acting in the capacity of the Board of Directors of the grantee agency.

The Alderman of the 27<sup>th</sup> Ward and the Director of the City of St. Louis Human Services are members of the Agency's Board of Director. We believe the inclusion of these two individuals may present an appearance of a conflict of interest because:

1. The Alderman also serves on the Housing, Urban Development and Zoning Committee and is responsible for appropriation and disbursement of all federal monies. As a committee member he may influence the Agency's funding requirements.
2. The Director of the City Human Services is directly responsible for partial funding to the Agency.

Special Projects Director explained the Agency is a Community Action Agency whereas its bylaw states one third of its Board Members must consist of elected officials from the City of St. Louis and the City of Wellston.

**Recommendation**

We recommend the Agency meet with and obtain legal written opinion from CDA or the City Counselor's Office to resolve this issue.

**Management's Response**

*Management does not concur with this observation. A tri-partite board system which is legislatively mandated for community action agencies was legislated through the Quie Amendment on Board Composition of 1968.*

*The Quie Amendment assures the equal participation of the poor or representatives of the poor with other elected public officials and representatives of private community groups,*

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND**  
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**1. (Continued)...**

*including business, religion, labor and industry on community action agency's board of directors.*

**Auditor's Response**

Community Action Agencies do have a mandated organizational structure. Our concern lies with the facts about the particular "elected officials who are serving as agency's Board members. One of the elected officials is a City Alderman, who chairs the City's Housing Committee and is therefore, in a position to influence the Agency's funding requirements. Likewise, City Department Director, appointed by the Mayor, is responsible for partial funding to the Agency.

**2. There Appears to be a Potential Going Concern Issue (Repeated)**

Working capital, excess of current assets over current liabilities, is a measure of an organization's ability to realize assets and satisfy liabilities in the normal course of business. The Agency's Balance Sheet as at April 20, 2006, and the prior audit report dated December 15, 2003 showed negative working capitals of \$738,837.67 and \$1,058,960 respectively. The Agency's Form 990 for the year ended September 30, 2004 showed a deficit for the year and negative net assets or fund balance of \$243,627 and \$211,716 respectively.

Based upon the facts above the Agency may have a potential going concern issue and may not be able to continue to provide services to its clients.

**Recommendation**

We recommend the Agency continue to work toward reducing their deficit by generating additional revenues and reduce its liabilities to attain a positive working capital.

**Management's Response**

*Management concurs with this observation. The agency has continued to reduce its liabilities. The agency is presently working with the Department of Health and Human*



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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND  
MANAGEMENT'S RESPONSES**

**2. Continued...**

*Services to reclassify the short-term debt reported in the audit in the amount of \$477,895. The agency won the case and this amount remains to be resolved.*

**3. Payment of Salaries may not be in Accordance with the Approved Personnel Schedule.**

All salaries reimbursement requests must be in accordance with approved work program personnel schedules of the contract. If salaries do not conform to an approved schedule, then a request for approval of a revised personnel schedule must be submitted to CDA as part of a contract revision request.

The Agency's CDA contract states that Special Project Director's total CDA compensation should not exceed the lower of 5% of his/her annual salary or \$3120. IAS noted that for calendar year 2005 this Director received a salary of \$3,446.17. Based upon the Director's annual compensation of \$47,634 this amount exceeded the limit of \$2,381.70, 5% of the Director's annual compensation of \$47,634.17, by \$1,046 requiring a repayment to CDA.

**Recommendation**

We recommend the agency reimburse CDA \$1,064.47 by December 29, 2006. A check should be submitted to Comptrollers Office – Federal Grants Section, 1114 Market St., 6<sup>th</sup> Floor, St. Louis MO 63103. The check should reference Fund #1163, Center #1421189 and Line Item #659502. A copy of this check should be furnished to Internal Audit to the attention of Charles Schroeder, at the same address. If the Comptroller's Office does not receive the repayment by January 5, 2007, we recommend that this amount is taken from the Agency's next request for reimbursement.

**Management's Response**

*Management concurs with this observation. The Special Projects Director's overall salary charged during the course of the grant in 2005 and the percentage charged was not revisited with reference to the grant. The agency shall refund CDA a total of \$1,064.47*

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**4. The Agency did not use Two Duly Authorized Signatures for Checks**

CDA Fiscal Procedures Manual requires all disbursement checks be pre-numbered and signed by the Chief Executive Officer and the Financial Officer or any two duly authorized officers.

IAS observed some disbursement checks were only signed by one duly authorized officer. According to the Special Project Director, the Agency only required one signature for checks under \$250 and two signatures for checks over \$250.

**Recommendation**

We recommend the Agency comply with CDA requirements and have all disbursement checks for expenditures funded by CDA signed by two authorized officers.

**Management's Response**

*Management does not concur with this observation. The agency's policy of having one signature for checks under \$250.00 has been in place for over 42 years. It has been approved by all of our larger federal funding sources. Our auditors, over the years, have had no problems with the internal controls, with reference to the above practice. All disbursements go through several persons prior to disbursement being made.*

*In the future, if this is what is required on this small grant from CDA, we will only to happy to segregate those expenditures in order to come into compliance with CDA's requirement.*

**5. The Agency Filed Monthly Financial Reports Late**

CDA regulations require the Agency submit its monthly financial reports by the 10<sup>th</sup> day of the following month. The Agency submitted four out of twelve reports late for the Year 2003. All twelve reports and four out of twelve reports were late for Years 2004 and 2005 respectively. The reports were late by five to twenty-four days. Late submission of monthly reports may cause a delay or suspension in the processing of reimbursement requests resulting in the Agency's inability to conduct its business.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND  
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**5. Continued...**

**Recommendation**

We recommend the Agency comply with CDA regulations and submit its monthly financial reports by the 10<sup>th</sup> day of the following month.

**Management's Response**

*Management concurs with this observation. In the future management will file all reports in a timely manner.*